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PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

OF THE CONDITION AND AFFAIRS OF THE

RLI INSURANCE COMPANY

NAIC Group Code 0783 (Current Period), 0783 (Prior Period) NAIC Company Code 13056 Employer's ID Number 37-0915434

Organized under the Laws of Illinois, State of Domicile or Port of Entry Illinois

Country of Domicile United States

Incorporated/Organized 06/04/1959 Commenced Business 11/15/1960

Statutory Home Office 9025 N. Lindbergh Drive (Street and Number), Peoria, IL 61615 (City or Town, State and Zip Code)

Main Administrative Office 9025 N. Lindbergh Drive (Street and Number) Peoria, IL 61615 (City or Town, State and Zip Code) 309-692-1000 (Area Code) (Telephone Number)

Mail Address 9025 N. Lindbergh Drive (Street and Number or P.O. Box), Peoria, IL 61615 (City or Town, State and Zip Code)

Primary Location of Books and Records 9025 N. Lindbergh Drive (Street and Number) Peoria, IL 61615 (City or Town, State and Zip Code) 309-692-1000-5468 (Area Code) (Telephone Number)

Internet Website Address www.rlicorp.com

Statutory Statement Contact Todd Wayne Bryant (Name) 309-692-1000-5468 (Area Code) (Telephone Number) (Extension)

todd_bryant@rlicorp.com (E-mail Address) 309-689-2079 (Fax Number)

OFFICERS

Name	Title	Name	Title
Joseph Edward Dondanville	Sr. V.P., CFO	Jean Marie Stephenson	A.V.P., Corporate Secretary
John Edward Robison	Treasurer	Michael Joseph Stone	President & COO

OTHER OFFICERS

Jonathan Edward Michael	Chairman & CEO	Aaron Howard Jacoby	V.P., Corporate Development
Carol Jeanne Denzer	V.P., Chief Information Officer	Donald John Driscoll	V.P., Claim
Jeffrey Dean Fick	V.P., Human Resources	Seth Anthony Davis	V.P., Internal Audit
Daniel O'Connor Kennedy	V.P., General Counsel	Craig William Kliethermes	V.P., Actuarial Services
Andrew Brook McCray	V.P., Home Office Underwriting		

DIRECTORS OR TRUSTEES

Jonathan Edward Michael	Michael Joseph Stone	Joseph Edward Dondanville	Aaron Howard Jacoby
Carol Jeanne Denzer	Donald John Driscoll	Jeffrey Dean Fick	

State of Illinois

County of Peoria ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Joseph Edward Dondanville Sr. V.P., CFO	Jean Marie Stephenson A.V.P., Corporate Secretary	John Edward Robison Treasurer

Subscribed and sworn to before me this 25th day of February, 2009

a. Is this an original filing? Yes [X] No [ ]
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

Karen Schauble Tax Assistant
September 20, 2009

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	473,418,131		473,418,131	554,826,330
2. Stocks (Schedule D):				
2.1 Preferred stocks	812,800		812,800	17,752,800
2.2 Common stocks	638,415,697	2,638,335	635,777,362	681,372,563
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ encumbrances)	9,051,800	269,809	8,781,991	6,174,137
4.2 Properties held for the production of income (less $ encumbrances)			0	0
4.3 Properties held for sale (less $ encumbrances)			0	0
5. Cash ($ (5,174,941) , Schedule E, Part 1), cash equivalents ($ 0 , Schedule E, Part 2) and short-term investments ($ 61,865,001 , Schedule DA)	56,690,060		56,690,060	29,143,595
6. Contract loans, (including $ premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	0
8. Receivables for securities	16,925,208		16,925,208	1,710,930
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,195,313,696	2,908,144	1,192,405,552	1,290,980,355
11. Title plants less $ charged off (for Title insurers only)			0	0
12. Investment income due and accrued	6,120,428		6,120,428	7,336,257
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	48,341,164	2,553,603	45,787,561	33,873,966
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premium)			0	0
13.3 Accrued retrospective premium			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	6,367,879		6,367,879	14,984,528
14.2 Funds held by or deposited with reinsured companies	4,000		4,000	4,000
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	1,385,987
16.2 Net deferred tax asset	18,363,143		18,363,143	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software	4,271,584	3,653,677	617,907	638,781
19. Furniture and equipment, including health care delivery assets ($)	2,381,514	2,381,514	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	4,863,045		4,863,045	144,304
22. Health care ($) and other amounts receivable			0	0
23. Aggregate write-ins for other than invested assets	6,660,989	2,116,837	4,544,152	2,536,924
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,292,687,442	13,613,775	1,279,073,667	1,351,885,102
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	1,292,687,442	13,613,775	1,279,073,667	1,351,885,102
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Other Miscellaneous Assets	6,660,989	2,116,837	4,544,152	2,536,924
2302.			0	0
2303.			0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	6,660,989	2,116,837	4,544,152	2,536,924

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	293,176,386	281,326,555
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	783,841	544,184
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)	57,129,402	59,770,036
4. Commissions payable, contingent commissions and other similar charges	13,798,927	15,122,083
5. Other expenses (excluding taxes, licenses and fees)	29,448,038	36,835,022
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,851,623	1,617,141
7.1 Current federal and foreign income taxes (including $ .... on realized capital gains (losses))	208,160	0
7.2 Net deferred tax liability		7,935,766
8. Borrowed money $ .... and interest thereon $		28,022,985
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $ 38,813,716 and including warranty reserves of $ ....)	148,165,761	139,049,214
10. Advance premium	3,785,888	3,954,125
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	15,421,779	8,941,408
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	608,919	537,795
14. Amounts withheld or retained by company for account of others	32,095,258	13,934,729
15. Remittances and items not allocated		0
16. Provision for reinsurance (Schedule F, Part 7)	838,000	903,200
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates		0
20. Payable for securities		0
21. Liability for amounts held under uninsured plans		0
22. Capital notes $ .... and interest thereon $		0
23. Aggregate write-ins for liabilities	2,720,516	1,386,534
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	601,032,498	599,880,777
25. Protected cell liabilities		0
26. Total liabilities (Lines 24 and 25)	601,032,498	599,880,777
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	10,000,375	10,000,375
29. Preferred capital stock		0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes		0
32. Gross paid in and contributed surplus	242,451,084	242,451,084
33. Unassigned funds (surplus)	425,589,710	499,552,866
34. Less treasury stock, at cost:		
34.1 .... shares common (value included in Line 28 $ ....)		0
34.2 .... shares preferred (value included in Line 29 $ ....)		0
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	678,041,169	752,004,325
36. Totals (Page 2, Line 26, Col. 3)	1,279,073,667	1,351,885,102
DETAILS OF WRITE-INS		
2301. Loss Recoverable Clearing	2,720,516	1,386,534
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	2,720,516	1,386,534
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)	0	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	0	0

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	265,297,702	244,443,167
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	90,393,127	60,659,845
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	27,353,685	29,306,121
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	119,317,595	111,352,486
5.	Aggregate write-ins for underwriting deductions	0	0
6.	Total underwriting deductions (Lines 2 through 5)	237,064,407	201,318,452
7.	Net income of protected cells		0
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	28,233,295	43,124,715
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	32,249,833	89,508,960
10.	Net realized capital gains (losses) less capital gains tax of $ (6,965,037) (Exhibit of Capital Gains (Losses))	(12,935,070)	16,241,019
11.	Net investment gain (loss) (Lines 9 + 10)	19,314,763	105,749,979
	OTHER INCOME		
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered $ .... amount charged off $ (774,379))	(774,379)	(426,628)
13.	Finance and service charges not included in premiums		0
14.	Aggregate write-ins for miscellaneous income	862,117	618,807
15.	Total other income (Lines 12 through 14)	87,738	192,179
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	47,635,796	149,066,873
17.	Dividends to policyholders		0
18.	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	47,635,796	149,066,873
19.	Federal and foreign income taxes incurred	20,921,262	22,861,220
20.	Net income (Line 18 minus Line 19) (to Line 22)	26,714,534	126,205,653
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	752,004,325	746,905,415
22.	Net income (from Line 20)	26,714,534	126,205,653
23.	Net transfers (to) from Protected Cell accounts		0
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $ (25,525,766)	(31,890,770)	25,554,010
25.	Change in net unrealized foreign exchange capital gain (loss)		0
26.	Change in net deferred income tax	773,149	2,043,104
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	374,731	(1,925,230)
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	65,200	2,943,800
29.	Change in surplus notes		0
30.	Surplus (contributed to) withdrawn from protected cells		0
31.	Cumulative effect of changes in accounting principles		0
32.	Capital changes:		
	32.1. Paid in		0
	32.2. Transferred from surplus (Stock Dividend)		0
	32.3. Transferred to surplus		0
33.	Surplus adjustments:		
	33.1. Paid in		0
	33.2. Transferred to capital (Stock Dividend)		0
	33.3. Transferred from capital		0
34.	Net remittances from or (to) Home Office		0
35.	Dividends to stockholders	(70,000,000)	(149,722,427)
36.	Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)	0	0
37.	Aggregate write-ins for gains and losses in surplus	0	0
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	(73,963,156)	5,098,910
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	678,041,169	752,004,325
	DETAILS OF WRITE-INS		
0501.			0
0502.			0
0503.			0
0598.	Summary of remaining write-ins for Line 5 from overflow page	0	0
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0
1401.	Gain (Loss) on Sale/Disposal of Fixed Assets	19,799	32,582
1402.	Miscellaneous Income	842,318	586,225
1403.			0
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	862,117	618,807
3701.	Goodwill write-off		0
3702.			0
3703.			0
3798.	Summary of remaining write-ins for Line 37 from overflow page	0	0
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	0

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	268,474,341	247,878,190
2.	Net investment income	35,923,529	92,788,159
3.	Miscellaneous income	87,738	192,181
4.	Total (Lines 1 through 3)	304,485,608	340,858,530
5.	Benefit and loss related payments	69,686,990	63,779,649
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7.	Commissions, expenses paid and aggregate write-ins for deductions	156,787,572	132,562,012
8.	Dividends paid to policyholders	0	0
9.	Federal and foreign income taxes paid (recovered) net of $ (6,965,037) tax on capital gains (losses)	12,362,072	37,057,820
10.	Total (Lines 5 through 9)	238,836,634	233,399,481
11.	Net cash from operations (Line 4 minus Line 10)	65,648,974	107,459,049
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	193,503,739	135,050,789
	12.2 Stocks	50,549,222	58,411,121
	12.3 Mortgage loans	0	0
	12.4 Real estate	0	0
	12.5 Other invested assets	0	9,500,000
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
	12.7 Miscellaneous proceeds	163,268	100,974
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	244,216,229	203,062,884
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	118,915,131	122,104,264
	13.2 Stocks	60,600,754	62,135,532
	13.3 Mortgage loans	0	0
	13.4 Real estate	3,184,190	609,563
	13.5 Other invested assets	0	0
	13.6 Miscellaneous applications	15,214,278	2,793,752
	13.7 Total investments acquired (Lines 13.1 to 13.6)	197,914,353	187,643,112
14.	Net increase (decrease) in contract loans and premium notes	0	0
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	46,301,876	15,419,772
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes	0	0
	16.2 Capital and paid in surplus, less treasury stock	0	0
	16.3 Borrowed funds	(28,022,985)	28,022,985
	16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
	16.5 Dividends to stockholders	70,000,000	149,722,427
	16.6 Other cash provided (applied)	13,618,600	1,031,123
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(84,404,385)	(120,668,319)
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	27,546,465	2,210,502
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	29,143,595	26,933,093
	19.2 End of year (Line 18 plus Line 19.1)	56,690,060	29,143,595

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

	Lines of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire	4,333,291	1,992,248	2,161,040	4,164,499
2.	Allied lines	3,863,286	1,236,043	1,759,960	3,339,369
3.	Farmowners multiple peril	0	0	0	0
4.	Homeowners multiple peril	7,913,078	5,216,514	4,922,733	8,206,859
5.	Commercial multiple peril	5,589,091	2,258,898	2,605,150	5,242,839
6.	Mortgage guaranty	0	0	0	0
8.	Ocean marine	41,828,379	15,816,633	18,768,903	38,876,109
9.	Inland marine	10,784,439	2,831,630	5,079,336	8,536,733
10.	Financial guaranty	0	0	0	0
11.1	Medical malpractice - occurrence	0	0	0	0
11.2	Medical malpractice - claims-made	0	0	0	0
12.	Earthquake	394,571	327,329	364,681	357,219
13.	Group accident and health	0	0	0	0
14.	Credit accident and health (group and individual)	0	0	0	0
15.	Other accident and health	0	0	0	0
16.	Workers' compensation	0	0	0	0
17.1	Other liability - occurrence	70,921,274	34,514,385	35,916,564	69,519,095
17.2	Other liability - claims-made	15,581,312	6,560,932	8,699,256	13,442,988
18.1	Products liability - occurrence	50,650	1,260	24,371	27,539
18.2	Products liability - claims-made	0	0	0	0
19.1,19.2	Private passenger auto liability	0	323	0	323
19.3,19.4	Commercial auto liability	36,394,227	23,657,154	20,940,776	39,110,605
21.	Auto physical damage	5,828,219	3,632,793	2,834,391	6,626,621
22.	Aircraft (all perils)	0	0	0	0
23.	Fidelity	1,777,950	1,077,932	1,253,601	1,602,281
24.	Surety	68,960,390	39,906,130	42,710,722	66,155,798
26.	Burglary and theft	0	0	0	0
27.	Boiler and machinery	194,092	19,010	124,277	88,825
28.	Credit	0	0	0	0
29.	International	0	0	0	0
30.	Warranty	0		0	0
31.	Reinsurance - Nonproportional Assumed Property	0	0	0	0
32.	Reinsurance - Nonproportional Assumed Liability	0	0	0	0
33.	Reinsurance - Nonproportional Assumed Financial Lines	0	0	0	0
34.	Aggregate write-ins for other lines of business	0	0	0	0
35.	TOTALS	274,414,249	139,049,214	148,165,761	265,297,702
	DETAILS OF WRITE-INS				
3401.		0	0	0	0
3402.					
3403.					
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

Line of Business	1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned but Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1. Fire	2,024,950	136,090			2,161,040
2. Allied lines	1,691,704	68,256			1,759,960
3. Farmowners multiple peril	0				0
4. Homeowners multiple peril	4,922,733	0			4,922,733
5. Commercial multiple peril	2,600,785	4,365			2,605,150
6. Mortgage guaranty					0
8. Ocean marine	18,652,101	116,802			18,768,903
9. Inland marine	5,008,524	70,812			5,079,336
10. Financial guaranty					0
11.1 Medical malpractice - occurrence					0
11.2 Medical malpractice - claims-made					0
12. Earthquake	344,892	19,789			364,681
13. Group accident and health					0
14. Credit accident and health (group and individual)					0
15. Other accident and health					0
16. Workers' compensation					0
17.1 Other liability - occurrence	33,600,620	2,315,944			35,916,564
17.2 Other liability - claims-made	7,589,063	1,110,193			8,699,256
18.1 Products liability - occurrence	24,241	130			24,371
18.2 Products liability - claims-made					0
19.1,19.2 Private passenger auto liability					0
19.3,19.4 Commercial auto liability	18,681,900	2,258,876			20,940,776
21. Auto physical damage	2,676,841	157,550			2,834,391
22. Aircraft (all perils)					0
23. Fidelity	660,267	593,334			1,253,601
24. Surety	28,335,665	14,375,057			42,710,722
26. Burglary and theft					0
27. Boiler and machinery	114,388	9,889			124,277
28. Credit					0
29. International					0
30. Warranty					0
31. Reinsurance - Nonproportional Assumed Property					0
32. Reinsurance - Nonproportional Assumed Liability					0
33. Reinsurance - Nonproportional Assumed Financial Lines					0
34. Aggregate write-ins for other lines of business	0	0	0	0	0
35. TOTALS	126,928,674	21,237,087	0	0	148,165,761
36. Accrued retrospective premiums based on experience					
37. Earned but unbilled premiums					
38. Balance (Sum of Line 35 through 37)					148,165,761
DETAILS OF WRITE-INS					
3401.					
3402.					
3403.					
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0

(a) State here basis of computation used in each case . Monthly Pro-Rata

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

	Line of Business	1 Direct Business (a)	Reinsurance Assumed 2 From Affiliates	Reinsurance Assumed 3 From Non-Affiliates	Reinsurance Ceded 4 To Affiliates	Reinsurance Ceded 5 To Non-Affiliates	6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
1.	Fire	1,764,140	1,405,112	1,501,808		337,769	4,333,291
2.	Allied lines	1,305,992	1,217,935	1,574,357		234,998	3,863,286
3.	Farmowners multiple peril						0
4.	Homeowners multiple peril	9,635,552				1,722,474	7,913,078
5.	Commercial multiple peril	5,750,733				161,642	5,589,091
6.	Mortgage guaranty						0
8.	Ocean marine	48,255,709		426,821		6,854,151	41,828,379
9.	Inland marine	10,701,003		878,223		794,787	10,784,439
10.	Financial guaranty						0
11.1	Medical malpractice - occurrence						0
11.2	Medical malpractice - claims-made						0
12.	Earthquake	6,806		786,879		399,114	394,571
13.	Group accident and health						0
14.	Credit accident and health (group and individual)						0
15.	Other accident and health						0
16.	Workers' compensation						0
17.1	Other liability - occurrence	84,295,285	442,900	0		13,816,911	70,921,274
17.2	Other liability - claims-made	54,270,820				38,689,508	15,581,312
18.1	Products liability - occurrence	117,934				67,284	50,650
18.2	Products liability - claims-made						0
19.1,19.2	Private passenger auto liability						0
19.3,19.4	Commercial auto liability	46,583,335		1,235,535		11,424,643	36,394,227
21.	Auto physical damage	5,950,041		205,304		327,126	5,828,219
22.	Aircraft (all perils)						0
23.	Fidelity	2,321,059	9,702	0		552,811	1,777,950
24.	Surety	71,900,004	925,628	1,123,536		4,988,778	68,960,390
26.	Burglary and theft						0
27.	Boiler and machinery	106,236		210,253		122,397	194,092
28.	Credit						0
29.	International						0
30.	Warranty						0
31.	Reinsurance - Nonproportional Assumed Property	XXX					0
32.	Reinsurance - Nonproportional Assumed Liability	XXX					0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX					0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0
35.	TOTALS	342,964,649	4,001,277	7,942,716	0	80,494,393	274,414,249
	DETAILS OF WRITE-INS						
3401.							
3402.							
3403.							
3498.	Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [X]

If yes: 1. The amount of such installment premiums $

2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis $

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

		Losses Paid Less Salvage				5	6	7	8
	Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1.	Fire	218,765	843,413	305,225	756,953	1,712,358	3,380,167	(910,856)	(21.9)
2.	Allied lines	221,033	637,986	583	858,436	1,441,538	1,239,762	1,060,212	31.7
3.	Farmowners multiple peril	(1,641)	0	(821)	(820)	0	0	(820)	0.0
4.	Homeowners multiple peril	1,092,373	0	0	1,092,373	1,358,202	1,047,136	1,403,439	17.1
5.	Commercial multiple peril	1,058,526	0	0	1,058,526	1,729,061	2,914,973	(127,386)	(2.4)
6.	Mortgage guaranty				0	0	0	0	0.0
8.	Ocean marine	19,032,023	1,443	1,760,461	17,273,005	27,781,216	17,842,906	27,211,315	70.0
9.	Inland marine	5,085,821	0	(621,118)	5,706,939	13,534,605	15,319,281	3,922,263	45.9
10.	Financial guaranty	0	0	0	0	0	0	0	0.0
11.1	Medical malpractice - occurrence	0	0	0	0	0	0	0	0.0
11.2	Medical malpractice - claims-made				0	0	0	0	0.0
12.	Earthquake	9,087	0	0	9,087	337,811	26,724	320,174	89.6
13.	Group accident and health	0	0	0	0	4	64,671	(64,667)	0.0
14.	Credit accident and health (group and individual)				0	0	0	0	0.0
15.	Other accident and health				0	0	0	0	0.0
16.	Workers' compensation	0	0	0	0	0	0	0	0.0
17.1	Other liability - occurrence	30,226,153	315,000	8,870,954	21,670,199	113,738,946	109,201,015	26,208,130	37.7
17.2	Other liability - claims-made	1,950,869	0	1,221,105	729,764	35,482,861	27,414,511	8,798,114	65.4
18.1	Products liability - occurrence	2,001,374	0	847,525	1,153,849	2,141,240	3,300,531	(5,442)	(19.8)
18.2	Products liability - claims-made	0	0	0	0	0	0	0	0.0
19.1,19.2	Private passenger auto liability	0	0	0	0	76,962	82,115	(5,153)	(1,595.4)
19.3,19.4	Commercial auto liability	29,040,667	5,596,918	14,650,769	19,986,816	60,039,998	60,729,714	19,297,100	49.3
21.	Auto physical damage	2,491,446	146,749	86,072	2,552,123	3,123,130	3,803,157	1,872,096	28.3
22.	Aircraft (all perils)	0	0	0	0	0	0	0	0.0
23.	Fidelity	79,862	0	0	79,862	276,605	191,926	164,541	10.3
24.	Surety	4,971,717	(31,042)	1,188,111	3,752,564	13,207,980	18,913,517	(1,952,973)	(3.0)
26.	Burglary and theft	(1,200)	0	(60)	(1,140)	20,174	15,395	3,639	0.0
27.	Boiler and machinery	0	0	0	0	39,236	123,653	(84,417)	(95.0)
28.	Credit				0	0	0	0	0.0
29.	International				0	0	0	0	0.0
30.	Warranty				0	0		0	0.0
31.	Reinsurance - Nonproportional Assumed Property	XXX	0	0	0	48,750	0	48,750	0.0
32.	Reinsurance - Nonproportional Assumed Liability	XXX	3,843,162	1,978,402	1,864,760	17,085,709	15,715,401	3,235,068	0.0
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX			0	0	0	0	0.0
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0.0
35.	TOTALS	97,476,875	11,353,629	30,287,208	78,543,296	293,176,386	281,326,555	90,393,127	34.1
	DETAILS OF WRITE-INS								
3401.					0	0	0	0	0.0
3402.									
3403.									
3498.	Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0.0
3499.	Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
	Line of Business	Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1.	Fire	10	631,332	505,066	126,276	384,584	1,262,158	60,660	1,712,358	498,226
2.	Allied lines	154,458	188,957	381,801	(38,386)	739,271	902,733	162,080	1,441,538	479,214
3.	Farmowners multiple peril	0	0	0	0	0	0	0	0	0
4.	Homeowners multiple peril	866,005	0	42,353	823,652	534,550	0	0	1,358,202	244,223
5.	Commercial multiple peril	671,844	0	0	671,844	1,240,890	0	183,673	1,729,061	274,535
6.	Mortgage guaranty				0				0	
8.	Ocean marine	17,577,113	0	2,647,027	14,930,086	13,491,552	97,893	738,315	27,781,216	3,969,459
9.	Inland marine	8,316,121	3	3,479,332	4,836,792	11,571,598	0	2,873,785	13,534,605	1,576,597
10.	Financial guaranty	0	0	0	0	0	0	0	0	0
11.1	Medical malpractice - occurrence	0	0	0	0	0	0	0	0	0
11.2	Medical malpractice - claims-made				0				0	
12.	Earthquake	283,000	0	0	283,000	57,830	0	3,019	337,811	20,101
13.	Group accident and health	4	0	0	4	0	0	0	(a) 4	0
14.	Credit accident and health (group and individual)				0				0	
15.	Other accident and health				0				(a) 0	
16.	Workers' compensation	0	0	0	0	0	0	0	0	0
17.1	Other liability - occurrence	41,869,617	1	6,236,488	35,633,130	108,261,798	1,065,066	31,221,048	113,738,946	26,214,193
17.2	Other liability - claims-made	64,247,803	0	56,150,040	8,097,763	96,989,755	0	69,604,657	35,482,861	5,021,473
18.1	Products liability - occurrence	947,533	0	37,829	909,704	1,668,524	0	436,988	2,141,240	1,318,368
18.2	Products liability - claims-made	0	0	0	0	0	0	0	0	0
19.1,19.2	Private passenger auto liability	0	0	0	0	76,962	0	0	76,962	8,552
19.3,19.4	Commercial auto liability	61,367,340	5,463,490	15,601,729	51,229,101	22,404,330	(3,775,311)	9,818,122	60,039,998	12,100,116
21.	Auto physical damage	759,704	5,910	11	765,603	2,608,754	(4,084)	247,143	3,123,130	624,747
22.	Aircraft (all perils)	0	0	0	0	0	0	0	0	0
23.	Fidelity	12,783	0	0	12,783	450,918	0	187,096	276,605	(46)
24.	Surety	2,872,954	303,093	611,292	2,564,755	13,265,411	631,829	3,254,015	13,207,980	3,688,777
26.	Burglary and theft	3,005	0	400	2,605	22,933	0	5,364	20,174	2,045
27.	Boiler and machinery	0	0	0	0	49,058	0	9,822	39,236	3,335
28.	Credit				0				0	
29.	International				0				0	
30.	Warranty				0				0	
31.	Reinsurance - Nonproportional Assumed Property	XXX	48,750	0	48,750	XXX	0	0	48,750	739
32.	Reinsurance - Nonproportional Assumed Liability	XXX	13,985,860	3,710,395	10,275,465	XXX	10,234,965	3,424,721	17,085,709	1,084,748
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX			0	XXX			0	
34.	Aggregate write-ins for other lines of business	0	0	0	0	0	0	0	0	0
35.	TOTALS	199,949,294	20,627,396	89,403,763	131,172,927	273,818,718	10,415,249	122,230,508	293,176,386	57,129,402
	DETAILS OF WRITE-INS									
3401.										
3402.										
3403.										
3498.	Summary of remaining write-ins for Line 34 from overflow page	0	0	0	0	0	0	0	0	0
3499.	Totals (Lines 3401 through 3403 + 3498) (Line 34 above)	0	0	0	0	0	0	0	0	0

(a) Including $ .... for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	9,811,520			9,811,520
1.2 Reinsurance assumed	1,281,274			1,281,274
1.3 Reinsurance ceded	(4,104,958)			(4,104,958)
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3)	15,197,752	0	0	15,197,752
2. Commission and brokerage:				
2.1 Direct, excluding contingent		53,848,602		53,848,602
2.2 Reinsurance assumed, excluding contingent		2,352,392		2,352,392
2.3 Reinsurance ceded, excluding contingent		15,894,018		15,894,018
2.4 Contingent-direct		7,174,741		7,174,741
2.5 Contingent-reinsurance assumed		68,440		68,440
2.6 Contingent-reinsurance ceded		1,380,006		1,380,006
2.7 Policy and membership fees				0
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)	0	46,170,151	0	46,170,151
3. Allowances to manager and agents				0
4. Advertising		286,602	12,889	299,491
5. Boards, bureaus and associations		787,546		787,546
6. Surveys and underwriting reports		311,229		311,229
7. Audit of assureds' records				0
8. Salary and related items:				
8.1 Salaries	6,265,355	32,079,492	299,021	38,643,868
8.2 Payroll taxes	407,895	2,537,156	23,967	2,969,018
9. Employee relations and welfare	1,286,039	7,766,374	99,691	9,152,104
10. Insurance	78	946,622		946,700
11. Directors' fees				0
12. Travel and travel items	180,695	3,163,467	31,706	3,375,868
13. Rent and rent items	41,068	2,651,224	(5,859)	2,686,433
14. Equipment	41,516	1,965,560	14,383	2,021,459
15. Cost or depreciation of EDP equipment and software	20,239	1,623,473	2,070	1,645,782
16. Printing and stationery	11,407	676,300	25,132	712,839
17. Postage, telephone and telegraph, exchange and express	38,426	1,355,042	31,796	1,425,264
18. Legal and auditing		1,641,604	79,829	1,721,433
19. Totals (Lines 3 to 18)	8,292,718	57,791,691	614,625	66,699,034
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of $		7,803,864		7,803,864
20.2 Insurance department licenses and fees	91	571,404	93	571,588
20.3 Gross guaranty association assessments	26,201	2,014,269	7,877	2,048,347
20.4 All other (excluding federal and foreign income and real estate)		9,998		9,998
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)	26,292	10,399,535	7,970	10,433,797
21. Real estate expenses		491,235	20,956	512,191
22. Real estate taxes		179,177	5,424	184,601
23. Reimbursements by uninsured plans				0
24. Aggregate write-ins for miscellaneous expenses	3,836,923	4,285,806	1,759,672	9,882,401
25. Total expenses incurred	27,353,685	119,317,595	2,408,647	(a) 149,079,927
26. Less unpaid expenses - current year	57,129,402	46,009,882	88,706	103,227,990
27. Add unpaid expenses - prior year	59,770,036	53,508,809	65,437	113,344,282
28. Amounts receivable relating to uninsured plans, prior year	0	0	0	0
29. Amounts receivable relating to uninsured plans, current year				0
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	29,994,319	126,816,522	2,385,378	159,196,219
DETAILS OF WRITE-INS				
2401. Management Fee		724,156		724,156
2402. Contracted Services	319,536	2,723,377	31,732	3,074,645
2403. Outside Investment Fees			1,727,940	1,727,940
2498. Summary of remaining write-ins for Line 24 from overflow page	3,517,387	838,273	0	4,355,660
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	3,836,923	4,285,806	1,759,672	9,882,401

(a) Includes management fees of $ 724,156 to affiliates and $ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 5,987,181	
1.1	Bonds exempt from U.S. tax	(a) 7,797,230	5,512,166
1.2	Other bonds (unaffiliated)	(a) 13,758,195	7,304,101
1.3	Bonds of affiliates	(a) 0	13,679,212
2.1	Preferred stocks (unaffiliated)	(b) 967,524	
2.11	Preferred stocks of affiliates	(b) 0	885,208
2.2	Common stocks (unaffiliated)	6,736,877	
2.21	Common stocks of affiliates	0	6,687,641
3.	Mortgage loans	(c)	
4.	Real estate	(d) 1,124,760	1,124,760
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 688,319	651,163
7.	Derivative instruments	(f) 46,420	46,420
8.	Other invested assets		
9.	Aggregate write-ins for investment income	35,030	35,030
10.	Total gross investment income	37,141,536	35,925,701
11.	Investment expenses		(g) 2,408,647
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 609,604
15.	Aggregate write-ins for deductions from investment income		657,617
16.	Total deductions (Lines 11 through 15)		3,675,868
17.	Net investment income (Line 10 minus Line 16)		32,249,833
	DETAILS OF WRITE-INS		
0901.	Miscellaneous Interest	35,030	35,030
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	35,030	35,030
1501.	Interest Expense - Short term borrowing		657,617
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		657,617

(a) Includes $ 254,979 accrual of discount less $ 2,103,242 amortization of premium and less $ 1,009,197 paid for accrued interest on purchases.
(b) Includes $ .... accrual of discount less $ .... amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ .... paid for accrued interest on purchases.
(d) Includes $ 1,124,760 for company's occupancy of its own buildings; and excludes $ .... interest on encumbrances.
(e) Includes $ .... accrual of discount less $ .... amortization of premium and less $ .... paid for accrued interest on purchases.
(f) Includes $ .... accrual of discount less $ .... amortization of premium.
(g) Includes $ 1,727,941 investment expenses and $ .... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ .... interest on surplus notes and $ .... interest on capital notes.
(i) Includes $ 609,604 depreciation on real estate and $ .... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5. Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	335,133		335,133		
1.1	Bonds exempt from U.S. tax	870,229		870,229		
1.2	Other bonds (unaffiliated)	(1,446,489)	(4,210,628)	(5,657,117)	(519,582)	
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	(11,699,720)	(1,145,540)	(12,845,260)	1,214,640	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	4,771,911	(7,538,267)	(2,766,356)	(74,145,405)	0
2.21	Common stocks of affiliates	0	0	0	16,033,811	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments			0		
7.	Derivative instruments			0		
8.	Other invested assets	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses)	163,264	0	163,264	0	0
10.	Total capital gains (losses)	(7,005,672)	(12,894,435)	(19,900,107)	(57,416,536)	0
	DETAILS OF WRITE-INS					
0901.	Securities Litigation Settlement	163,264		163,264		
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	163,264	0	163,264	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	2,638,335	2,560,174	(78,161)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	269,809	303,077	33,268
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule-E Part 1), cash equivalents (Schedule-E Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	2,908,144	2,863,251	(44,893)
11. Title plants (for Title insurers only)	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	2,553,603	2,215,156	(338,447)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
13.3 Accrued retrospective premiums	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software	3,653,677	4,318,974	665,297
19. Furniture and equipment, including health care delivery assets	2,381,514	2,513,634	132,120
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable	0	0	0
23. Aggregate write-ins for other than invested assets	2,116,837	2,077,491	(39,346)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	13,613,775	13,988,506	374,731
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
26. Total (Lines 24 and 25)	13,613,775	13,988,506	374,731
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Goodwill	2,116,837	2,077,491	(39,346)
2302. Other Miscellaneous Assets	0	0	0
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	2,116,837	2,077,491	(39,346)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Accounting Practices

The financial statements of RLI Insurance Company (the Company) are presented on the basis of accounting practices prescribed or permitted by the Illinois Department of Financial and Professional Regulation, Division of Insurance (the Division).

The Division recognizes only statutory accounting practices prescribed or permitted by the state of Illinois for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under the Illinois Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Illinois. The state has not adopted any prescribed accounting practices that differ from those found in NAIC SAP.

b. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported financial statement balances as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant of these amounts is the liability for unpaid losses and loss adjustment expenses. Management continually updates its estimates as additional data becomes available and adjusts the statutory financial statements as deemed necessary. Other estimates such as the recoverability of reinsurance balances are constantly monitored, evaluated, and adjusted. Although recorded estimates are supported by actuarial computations and other data, the estimates are ultimately based on management's expectations of future events. It is reasonably possible that expectations associated with these accounts can change in the near term (i.e., one year) and that the effect of these changes could be material to the statutory financial statements.

c. Accounting Policy

Premiums, net of reinsurance, are earned and recognized as revenue ratably over the periods of the policies. Unearned premiums, which are reflected net of reinsurance, represent the pro rata portion of premiums written which are applicable to the unexpired terms of the policies in force.

The costs of acquiring insurance premiums (principally commissions and premium taxes) are charged to current operations as incurred.

In addition, the Company uses the following accounting policies:

(1) Short-term investments are valued at cost, which approximates fair value.

(2) Bonds are generally stated at amortized cost with the discount or premium on bonds amortized using the scientific method. Bonds with a NAIC designation of 3 to 6 are stated at the lower of amortized cost or fair value.

(3) Unaffiliated common stocks are carried at values assigned by the NAIC, which approximates fair value. Stocks of affiliates in which the Company has an interest of 20% or more are carried based upon the affiliate's audited statutory surplus.

(4) Unaffiliated preferred stocks are carried at values assigned by the NAIC, which approximates fair value.

(5) The Company has no mortgage loans to report.

The Company owns real estate occupied by the Company which is valued at cost less accumulated depreciation and is computed on a straight-line basis over the estimated useful lives of the properties per SSAP No. 40, Real Estate Investments. The fair value of the properties is determined by third party appraisals, the results of which indicate the properties are not impaired per practices prescribed in SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments.

(6) Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value, dependent upon NAIC designations. Loan backed securities are revalued using currently estimated cash flow, including new prepayment assumptions, under the retrospective methodology.

(7) The Company owns 100% of the common stock of Mt. Hawley Insurance Company (Mt. Hawley), Safe Fleet Insurance Services, Inc. (Safe Fleet), RLI Insurance Ltd. (RLI Ltd.), Underwriters Indemnity General Agency (UIGA), and RLI Underwriting Services (RLI US). The Company's investment in Mt. Hawley is carried at cost plus equity in statutory net income and surplus adjustments since the date of formation, less dividends received. Changes in the carrying value of the Company's investment in Mt. Hawley are reflected directly in unassigned surplus, as described in SSAP No. 97, a replacement of SSAP No. 88, which was adopted as of December 31, 2007. Additionally, as prescribed in SSAP No. 97, Safe Fleet, RLI Ltd., UIGA, and RLI US are valued based on their underlying GAAP equity adjusted to a statutory basis of accounting. Per SSAP No. 97, the Company has non-admitted its investment in Safe Fleet, RLI Ltd., UIGA, and RLI US since GAAP audits are not conducted individually for these subsidiaries.

(8) The company has no investments in joint ventures, partnerships or limited liability companies.

(9) The Company has no derivative instruments.

(10) The Company does not utilize anticipated investment income as a factor in the calculation of premium deficiency.

(11) The estimated liability for unpaid losses and loss adjustment expenses includes a provision for reported and unpaid losses as well as estimates of losses incurred but not reported, net of amounts covered by reinsurance. The estimates are based on certain actuarial and other assumptions related to the ultimate cost to settle such claims. Such assumptions are subject to occasional changes due to evolving economic, social, and political conditions. All estimates are periodically reviewed and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments are reflected in the results of operations in the period in which they are determined. As these amounts are determined based upon estimates, the ultimate liability may be more or less than such estimates. Based on the current assumptions used in calculating reserves, management believes that the Company's overall reserve levels at December 31, 2008 make a reasonable provision to meet its future obligations.

(12) The Company has not modified its capitalization policy from the prior period.

(13) Under the Company's current health care plan, effective 8/1/07, the Company receives monthly prescription drug rebates based on headcount. These savings are netted against monthly health care expenses, and no receivable is recorded.

2. Accounting Changes and Correction of Errors

The Company has none to report.

NOTES TO FINANCIAL STATEMENTS

3. Business Combinations and Goodwill

a,b,c In March 1997, the Company acquired the Hawaii Residential Insurance Program (a book of business) from the Hawaii Property Insurance Association. The transaction was accounted for using the statutory purchase method, resulting in goodwill of $4.0 million. Goodwill amortization relating to the purchase of this book of business was completed in April, 2007. Goodwill amortization was $0 and $133,256 for 2008 and 2007, respectively. The Company did not recognize an impairment loss on the transaction.

4. Discontinued Operations

The Company has none to report.

5. Investments

a, b, c. Mortgage Loans, Debt Restructuring & Reverse Mortgages

The Company has none to report.

d. Loan-Backed Securities

All of the Company's loan-backed securities were purchased subsequent to January 1, 1994. Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value dependent upon NAIC designations. Loan-backed securities are revalued using currently estimated cash flow, including new prepayment assumptions, under the retrospective methodology.

Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from external sources and through management estimates.

The Company used an external pricing service, FT Interactive Data, to determine the fair value of its loan-backed/asset-backed securities.

e. Repurchase Agreements

The Company has none to report.

f. Real Estate

The Company owns real estate occupied by the Company which is valued at cost less accumulated depreciation and is computed on a straight-line basis over the estimated useful lives of the properties per SSAP No. 40, Real Estate Investments. The fair value of the properties is determined by third party appraisals, the results of which indicate the properties are not impaired per practices prescribed in SSAP No. 90, Accounting for the Impairment or Disposal of Real Estate Investments.

g. The Company has none to report.

6. Joint Ventures, Partnerships, Limited Liability Companies

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. Investment Income

Due and accrued income over 90 days past due is excluded from surplus. The Company has no accrued income over 90 days past due. As a result, no adjustment to surplus has been made.

8. Derivative Instruments

The Company has no financial instruments defined as derivatives for statutory purposes.

9. Income Taxes

a. The components of the net deferred tax asset (liability) at December 31 are as follows:

	2008	2007
Total of gross deferred tax assets	$ 35,444,057	$ 34,579,819
Total of deferred tax liabilities	17,080,914	42,515,585
Net deferred tax assets (liabilities)	18,363,143	(7,935,766)
Deferred tax asset nonadmitted	-	-
Net admitted deferred tax assets (liabilities)	$ 18,363,143	$ (7,935,766)
(Increase) decrease in nonadmitted assets	$ -	

b. Regarding deferred tax liabilities that are not recognized:

There are no deferred tax liabilities that are not recognized for amounts described in SSAP No. 10, Income Taxes, paragraph 6d.

c. Current income taxes incurred consist of the following major components:

The provision for incurred taxes on earnings for the year ended December 31 are:

	2008	2007
Federal	$ 20,921,262	$ 22,861,220
Federal income tax on net capital gain (loss)	(6,965,037)	8,745,164
Federal and foreign income tax incurred	$ 13,956,225	$ 31,606,384

NOTES TO FINANCIAL STATEMENTS

The main components of the deferred tax amounts at December 31 are as follows:

	2008	2007
Deferred tax assets:		
Loss Reserves	$ 11,965,982	$ 12,791,832
Unearned premium reserve	10,412,895	9,774,736
Nonadmitted assets	3,841,404	3,999,916
Deferred compensation	5,427,637	2,240,870
Accrued expenses	262,500	5,281,798
Depreciable Assets	-	151,791
Impairment on Investments	3,368,361	-
Other	165,278	338,876
Total deferred tax assets	35,444,057	34,579,819
Nonadmitted deferred tax assets	-	-
Admitted deferred tax assets	35,444,057	34,579,819
Deferred tax liabilities:		
Amortization of bond discount	115,192	196,851
Unrealized capital gains	9,707,079	35,232,845
Accrued dividends	152,637	131,122
Depreciable Assets	124,716	-
Intercompany transactions	6,356,103	6,356,103
Other	625,187	598,664
Total deferred tax liabilities	17,080,914	42,515,585
Net admitted deferred tax assets (liabilities)	$ 18,363,143	$ (7,935,766)

The changes in net deferred income taxes are as follows:

	2008	2007	Change
Total deferred tax assets	$ 35,444,057	$ 34,579,819	$ 864,238
Total deferred tax liabilities	17,080,914	42,515,585	(25,434,671)
Net deferred tax assets (liabilities)	$ 18,363,143	$ (7,935,766)	26,298,909
Tax effect of unrealized gains (losses)			(25,525,766)
Change in net deferred income tax			$ 773,143

d. Among the more significant book to tax adjustments were the following:

	December 31, 2008	Effective Tax Rate
Income before taxes, which includes net realized capital gains	40,670,759	
Provision computed at statutory rate	$ 14,234,766	35.0%
Tax exempt income deduction	(2,168,849)	-5.3%
Dividends received deduction	(1,206,701)	-3.0%
Nondeductible expenses	141,474	0.3%
Nonrecurring tax benefit	1,334,745	3.3%
Other	847,641	2.1%
Total	$ 13,183,076	32.4%
Federal and foreign taxes incurred	$ 20,921,262	51.4%
Change in net deferred income taxes	(773,149)	-1.9%
Tax on net realized capital gains (losses)	(6,965,037)	-17.1%
Total statutory income taxes	$ 13,183,076	32.4%

e. (1) At December 31, 2008, the Company had no operating loss carry forwards available to offset future net income subject to federal income tax.

(2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

2008	$ 14,639,671
2007	$ 33,869,855

(3) The Company has no deposits reported as admitted assets under Section 6603 of the Internal Revenue Service (IRS) Code as of December 31, 2008.

NOTES TO FINANCIAL STATEMENTS

f. (1) The Company's federal income tax return is consolidated with the following entities:

RLI Corp.
Mt. Hawley Insurance Company
RLI Aviation, Inc.
RLI Indemnity Company
RLI Underwriting Services, Inc.
Underwriters Indemnity General Agency, Inc.
Safe Fleet Insurance Services, Inc.

(2) The method of allocation between the companies is subject to written agreement, approved by the Board of Directors. Allocation is based on the ratio of that portion of the separate company taxable income each member bears to the total taxable income of the group. Intercompany balances are settled quarterly.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

a, b, c. During 2008, the Company paid cash dividends to its parent, RLI Corp., of $70,000,000. During the same period in 2007, the Company paid dividends to its parent of $149,722,427. The 2007 amount included $85,000,000 of extraordinary dividends. A need existed to move additional capital to RLI Corp.; therefore, permission for the extraordinary dividends was sought and obtained from the Division.

The Company received $0 and $55,000,000 in cash dividends from its wholly owned subsidiary, Mt. Hawley, during 2008 and 2007, respectively.

At December 31, 2008, the Company owns 100% of the common stock of its subsidiaries, Mt. Hawley, Safe Fleet, RLI Ltd., UIGA, and RLI US, having statement values of $470,109,428; $(22,138); $1,096,494; $998,707; and $565,273; respectively. The Company non-admitted its investment in Safe Fleet, RLI Ltd, UIGA, and RLI US, per SSAP No. 97, Investments in Subsidiary, Controlled and Affiliated Entities, a replacement of SSAP No. 88, since GAAP audits are not conducted individually for these subsidiaries.

d. The Company reported $4,863,045 and $144,304 as net amounts due from affiliates at December 31, 2008 and 2007, respectively. Any intercompany balance resulting from services performed or costs allocated in accordance with the terms of the intercompany services agreement shall be settled within 30 calendar days following the end of the calendar quarter in which such intercompany balance was created.

e. On January 1, 2003, the Company and its affiliate, RIC, entered into an intercompany reinsurance agreement. Under the terms of the agreement, after all of RIC's unaffiliated reinsurance cessions are affected, the Company assumes premium from RIC under a 90% quota share reinsurance agreement for all policies with effective dates of 1/1/2003 or later. This agreement was amended in 2004 to include the assuming of 100% of RIC's existing net loss reserves and any future development on these reserves. The Division approved the amendment on June 29, 2004.

On or about April 1, 2004, the Company entered into an intercompany guarantee with RLI Ltd. The Company has guaranteed the performance of RLI Ltd. with respect to a punitive damages wrap policy over an excess policy with the Company. The policy has been renewed with an effective date of April 1, 2008. The guarantee is in the amount of $20,000,000.

f. The Company allocates certain expenses to RLI Corp. and affiliated companies, Mt. Hawley, RIC, RLI US and Safe Fleet, based upon the accounting principles set forth in NAIC SAP. The intercompany services agreement allows a portion of the expenses incurred by the Company for the benefit of these affiliates to be allocated on a pro rata basis relative to the affiliate companies' gross earned premium to the total of gross earned premiums of the Company, and any other affiliate managed by the Company. This agreement further allows the expenses incurred by Safe Fleet for the benefit of the Company to be charged back to the Company on a cost reimbursement basis.

g. RLI Corp., a holding company listed on the New York Stock Exchange and incorporated in the state of Illinois, owns 100% of the outstanding shares of the Company.

h. The wholly owned subsidiary of the Company, Mt. Hawley, owns 2,022,086 shares of RLI Corp., the Company's ultimate parent. This investment is being accounted for in accordance with the NAIC Securities Valuation Office guidelines.

i. The Company owns a 100% interest in Mt. Hawley, whose carrying value exceeds 10% of the admitted assets of the Company. The Company carries Mt. Hawley at the statutory equity basis of $470,109,429. The statement value of Mt. Hawley assets and liabilities as of December 31, 2008 was $1,052,280,349 and $582,170,917, respectively. Net income of Mt. Hawley was $46,179,504 for the year ended December 31, 2008.

j. The Company did not recognize any impairment write down for its investment in subsidiary, controlled or affiliated companies during the statement period.

k. The Company values its investment in its wholly owned foreign insurance subsidiary, RLI Ltd., a Bermuda corporation, based on the underlying GAAP equity adjusted to a statutory basis of accounting. The Company non-admits its investment in RLI Ltd per SSAP No. 97, a replacement of SSAP No. 88, since a GAAP audit is not conducted individually for this subsidiary.

l. The Company does not hold an investment in a downstream noninsurance holding company.

11. Debt

The Company does not have any reverse repurchase agreements as of December 31, 2008.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

a. Defined Benefit Plan

The Company has none to report.

b. Defined Contribution Plans

The Company has none to report.

NOTES TO FINANCIAL STATEMENTS

c, d. Multi-employer & Consolidated/Holding Company Plans

The Company, along with its affiliates and ultimate parent, has an Employee Stock Ownership Plan (ESOP) and a 401(k) Plan, which covers substantially all employees. The Company provides a base contribution to the 401(k) plan of 3% of eligible compensation and allows voluntary contributions by employees. Additionally, annual discretionary profit-sharing contributions may be made to both plans, subject to the achievement of certain overall financial goals. The total amount of expense for these plans for 2008 and 2007 was $8,750,639 and $9,761,233, respectively. The Company allocates a portion of this expense to its subsidiaries per terms of the intercompany services agreement.

The Company, along with its affiliate and ultimate parent, also has bonus and incentive plans covering executives, management, and associates. These plans are subject to the achievement of certain overall financial targets, and to a lesser extent, management incentive plans are affected by other performance measures. The total amount of expense for these plans for 2008 and 2007 was $4,641,039 and $15,791,311, respectively. The Company allocates a portion of this expense to its subsidiaries per terms of the intercompany services agreement.

e. Postemployment Benefits and Compensated Absences

In 2002, the Company, along with its affiliate and ultimate parent, began offering certain eligible employees post-employment medical coverage. Under the Company's plan, employees, who retire at age 55 or older with 20 or more years of company service, may continue medical coverage under the Company's health plan. Employees who elect continuation of coverage pay the full COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) rate and coverage terminates upon reaching age 65. The Company expects a relatively small number or employees will become eligible for this benefit. The COBRA rate established for participating employees covers the cost of providing this coverage. The Company does not provide compensated absences.

f. Impact of Medicare Modernization Act on Postretirement Benefits

The Company has none to report.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

(1)-(10) The Company has 1,000,000 shares authorized and 80,003 issued and outstanding. Par value equals $125 per share. The Company has no preferred stock outstanding.

During 2008, the Company paid ordinary cash dividends to its parent, RLI Corp., of $70,000,000. Of this, $40,000,000 was paid in March 2008, $25,000,000 in June 2008 and $5,000,000 in December 2008.

Dividend payments from the Company to its parent are restricted by state insurance laws as to the amount that may be paid without prior approval from the regulatory authorities of Illinois. The maximum dividend distribution is limited by Illinois law to the greater of 10 percent of policyholder surplus as of December 31 of the preceding year or the net income of the Company for the 12-month period ending December 31 of the preceding year. Therefore, the maximum dividend that can be paid by the Company during 2009 without prior approval is $67,804,117, which represents 10% of the Company's 2008 policyholder surplus.

State insurance laws also restrict dividend payments to the Company from Mt. Hawley. The maximum dividends that can be paid to the Company by Mt. Hawley during 2009 without prior approval are $47,010,943, which represents 10% of Mt. Hawley's 2008 policyholder surplus.

The Company has no restrictions on unassigned surplus. No stock of the Company is being held for special purposes.

Unassigned surplus includes $17,413,003 in net unrealized gains on investments and has been reduced by $13,613,775 relating to non-admitted assets. Additionally, surplus has been reduced by $838,000 for the provision for reinsurance.

(11)-(13) The Company has no surplus notes. The Company has not been part of a quasi reorganization.

14. Contingencies

a. Contingent Commitments

The Company has none to report.

b. Assessments

The Company has an accrual for assessments as December 31, 2008, of $2.7 million. It is not possible at this time to determine the periods over which the assessments are expected to be paid.

c. Gain Contingencies

The Company has none to report.

d. Claims related extra contractual obligations and bad faith losses stemming from lawsuits.

The Company has none to report.

e. All Other Contingencies

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position of the Company. The Company has no asset that it considers impaired.

NOTES TO FINANCIAL STATEMENTS

15. Leases

The Company leases regional office facilities and computers under operating leases. These leases expire in various years through 2014. Minimum future rental payments under non-cancellable leases are as follows:

2009	$ 3,676,228
2010	3,256,515
2011	2,644,388
2012	2,335,729
2013 and thereafter	1,035,065
Total minimum future rental payments	$ 12,947,925

The Company shares rental expense with its affiliate, Mt. Hawley, through an intercompany services agreement. The Company's portion of rental expense for 2008 and 2007 was $921,985 and $1,028,287, respectively.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Concentrations of Credit Risk

The Company has none to report.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

The Company has none to report.

18. Gain or Loss from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The Company has none to report.

19. Direct Premium Written by Managing General Agents/Third Party Administrators

Name and Address of Managing General Agent or Third Party Administrator:

Program Brokerage Corporation
1065 Avenue of the Americas
New York, New York 10018

FEIN Number:	13-3724358
Exclusive contract:	No
Types of Business Written:	Deductible Buy-Back or Self-Insured Retention Buy-Back for the following lines of business: Commercial Property, General Liability, Inland Marine, Crime, Umbrella
Types of Authority Granted:	Claims payment, claims adjustment, binding authority, premium collection, underwriting
Total Direct Premiums Written:	$4,103,215

This Managing General Agent (MGA) agreement was filed with the Illinois Department of Insurance and approved on April 18, 2007.

20. Other Items

The Company elected to use rounding in reporting amounts in this statement.

During 2008, the Company recognized $9,436,690 in losses for the other-than-temporary decline in fair values (impairments). Impairment charges were recorded on securities in the financial sector, as the credit crisis and financial turmoil negatively impacted fixed income and equity values in the latter half of 2008. The company regularly reviews investment securities for impairment using both quantitative and qualitative criteria. Quantitative criteria include length of time and amount that each security is in an unrealized loss position and, for fixed maturities, whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the financial health of and specific prospects for the issuer, as well as the company's intent and ability to hold the security to maturity or until forecasted recovery. Statutory rules require that if a decline in fair value is determined to be other than temporary, the security is to be written down to fair value as the new cost basis, and the write down shall be accounted for as a realized loss.

The Company has no state transferable credits as of December 31, 2008.

The Company does not engage in subprime residential mortgage lending. The Company evaluates many characteristics when classifying collateral as subprime, including credit quality of the borrower as defined by Fair Isaac Credit Organization (FICO) scores, as well as other factors, such as loan-to-value ratios and type of real estate. Relating to investments, the Company's exposure to subprime lending is limited to the fixed maturity investment portfolio which contains securities collateralized by mortgages that have characteristics of subprime lending such as home equity mortgages. These investments are in the form of asset-backed securities collateralized by subprime mortgages and collateralized mortgage obligations backed by alternative documentation mortgages. The total carrying value of these investments is approximately $1.4 million comprising less than 1% of the Company's total fixed maturity portfolio. The average credit rating of all of these securities was AAA as of December 31, 2008 and reflects the Company practice of minimizing exposure to low quality (subprime type) credit risk. In addition, all of the securities containing subprime collateral were originated before 2005. The Company did not recognize any impairment write down in the investment portfolio, including subprime mortgages during the statement period.

NOTES TO FINANCIAL STATEMENTS

The following table presents the Company's exposure to ABS securities backed by subprime residential mortgage loans as of 12/31/08.

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized	5 Default Rate
a. Residential mortgage backed securities	$ -	$ -	$ -	$ -	-
b. Commercial mortgage backed securities	-	-	-	-	-
c. Collateralized debt obligations	-	-	-	-	-
d. Structured securities	-	-	-	-	-
e. Equity investment in SCAs	-	-	-	-	-
f. Other assets	1,350,838	1,350,838	1,264,522	-	3.1%
g. Total	1,350,838	1,350,838	1,264,522	-	3.1%

Default rate calculated as average delinquency rate of 60 or more days on securities held.

From an insurance standpoint, the casualty segment has exposure to subprime market issues through the Company's other liability (directors and officers) coverage. The Company's exposure to subprime, however, is minimal. The Company has a limited number of claims and expects net exposure to subprime to be less than $5 million. The surety segment is another area that the Company can have direct exposure to subprime. The Company writes few mortgage broker bonds, and believes this exposure to be minimal. In addition, the Company does not have significant exposure from a surety standpoint to the home building industry.

	1 Losses Paid in the Current Year	2 Losses Incurred in the Current Year	3 Case Reserves at End of Current Period	4 IBNR Reserves at End of Current Period
a. Mortgage Guaranty Coverage	$ -	$ -	$ -	$ -
b. Financial Guaranty Coverage	-	-	-	-
c. Other Lines (specify)				
Professional Risk	137,451	10,810,095	10,694,716	3,255,000
d. Total	137,451	10,810,095	10,694,716	3,255,000

21. Events Subsequent

The Company has none to report.

22. Reinsurance

a. Unsecured Reinsurance Recoverables; Greater Than 3% of Policyholder Surplus

NAIC CO. #	FEIN #	COMPANY NAME	GROUP AFFILIATION	AMOUNT
32603	47-0574325	Berkley Insurance Co	W.R. Berkley Group	22,478,000
22039	13-2673100	General Rein Corp	General Gologne Re Group	29,750,000
10227	13-4924125	Munich Re American	Munich Re American Corp Group	29,910,000
20370	51-0434766	Axis Reinsurance Co	Axis Capital Holdings Limited	21,833,000
				$ 103,971,000

b. Reinsurance Recoverable in Dispute

There are no recoverables in dispute that exceed 5% of surplus.

c. Reinsurance Assumed and Ceded

(1)

	ASSUMED REINSURANCE		CEDED REINSURANCE		NET	
	Premium Reserve (1)	Commission Equity (2)	Premium Reserve (3)	Commission Equity (4)	Premium Reserve (5)	Commission Equity (6)
Affiliates	1,621,209	-	-	-	1,621,209	-
All Other	4,423,736	-	38,334,992	8,572,511	(33,911,256)	(8,572,511)
Total	$ 6,044,945	$ -	$ 38,334,992	$ 8,572,511	$ (32,290,047)	$ (8,572,511)

Direct Unearned Premium Reserve - $180,372,110

NOTES TO FINANCIAL STATEMENTS

(2)

	DIRECT	REINSURANCE Assumed	REINSURANCE Ceded	NET
Contingent Commission	2,873,181	-	-	2,873,181
Sliding Scale Adjustment	-	-	-	-
Other	-	-	-	-
Total	$ 2,873,181	$ -	$ -	$ 2,873,181

(3) The Company has no risks attributable to protected cells.

d. Uncollectible Reinsurance

The Company has taken a charge against income in the current year of $1,758,798 for reinsurance balances deemed uncollectible from the companies listed below. This charge is reflected as:

1)	Losses/Loss adjustment expenses incurred	$ 1,758,798
2)	Premiums Earned	$ -

COMPANY NAME	AMOUNT
Banco De Seguros	5,088
Beacon	59,171
Chancellor	15,951
Cherokee Ins Co	(488,156)
CIE Transcontinentale	(310,068)
Classic Fire and Marine	(282,814)
Danielson (Mission) Ins Co	219,454
Equitas	538,247
Heartland Group, Inc	(12,737)
Home Insurance Company	482,762
Hudson Reinsurance Ltd	(123,168)
Kansas General Ins Co Ltd	(12,436)
Kansas Re	6,387
Lumberman's Mutual	(3,593)
National Employers Mutual	5,966
National Underwriters	19,641
Nem Re-Insurance Corp	1,172
Orion Insurance	5,306
Paris International	16,455
Pine Top Ins Co	34,556
Pine Top Syndicate	(1,158)
Reliance Insurance Co	(16,691)
Southern American Ins Co	(117)
Toa-Re	1,327,742
Union Indemnity Ins Co	275,864
W.F. Poe Ins Co	(4,331)
Walton Ins Ltd	305
Total	$ 1,758,798

e. Commutation of Ceded Reinsurance

The Company has none to report.

f. Retroactive Reinsurance

The Company has none to report.

g. Reinsurance Accounted for as a Deposit

The Company has none to report.

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

The Company estimates accrued retrospective premium adjustments through the review of each individual retrospectively rated risk, comparing known loss development (including IBNR) with that anticipated in the policy contract to arrive at the best estimate of return or additional retrospective premium. The number of the company's policies which can be classified as retrospectively rated is minimal. Based on the method described above, no accrual of return or additional premium was required.

24. Change in Incurred Losses and Loss Adjustment Expenses

Total incurred losses and defense and cost containment expenses attributable to insured events which occurred prior to January 1, 2008 have decreased by approximately $16,888,000 from approximately $1,033,031,000 as of December 31, 2007 to $1,016,143,000 as of December 31, 2008. This compares to a decrease of $31,456,000 that occurred in 2007. Both periods reflect favorable development on prior accident years' reserves.

NOTES TO FINANCIAL STATEMENTS

The reserving process remained consistent throughout 2008 relative to the process in place at year- end 2007. During 2007, an in depth evaluation of loss trends and reserve risks was undertaken by management which resulted in the conclusion that the difference between carried reserves and the actuarial point estimate could be reduced. This evaluation accounted for more than half of the favorable development on prior accident years' reserves experienced in 2007. A follow-up review of reserve risk factors was performed in 2008 which largely confirmed the 2007 findings and resulted in only a small increase in the reserve risk margin. Loss trends remained favorable in 2008. As a result, the increase in reserve risk margin had only minimal effect on prior years' loss development during 2008.

The majority of the favorable development in 2008 came from the three most recent accident years. By line of business, favorable development occurred on our Other Liability, Property and Surety lines. In addition to reported losses on prior accident years being generally less than expected, downward adjustments to the expected loss ratios that are used in calculating actuarial reserve estimates also contributed to the favorable development. Partially offsetting the improvement on these lines, increases occurred on our Ocean Marine line and on our Reinsurance - Liability line. The development on the Reinsurance- Liability line related to old accident years for coverage that was discontinued.

The Company writes only a few retrospectively rated policies and 2008 development on losses and allocated loss adjustment expenses had no effect on accrued premiums.

25. Intercompany Pooling Arrangements

The Company has none to report.

26. Structured Settlements

The Company enters into a very limited number of structured settlements. In each instance, the Company receives a full release of liability from the claimant. No contingent liability exists, should the issuer of the annuity fail to perform under the terms of the annuity.

27. Health Care Receivables

Under the Company's current healthcare plan, effective 8/1/07, the Company receives monthly prescription drug rebates from Blue Cross Blue Shield and network discount rebates from Methodist Medical Center of Illinois. These savings are netted against monthly health care expenses, and no receivable is recorded. The Company believes annual rebates will amount to less than $200,000.

28. Participating Policies

The Company has none to report.

29. Premium Deficiency Reserves

The Company has none to report.

30. High Deductibles

The Company has not recorded a reserve credit for high deductibles on unpaid claims.

31. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company has none to report.

32. Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims. The Company's exposure arises from both primary and excess general liability coverage and from reinsurance assumed in the early 1980's. As with other types of claims, the Company estimates the ultimate settlement value of known asbestos and environmental claims through the establishment of case reserves by its claims staff. Bulk IBNR reserves are estimated using past company experience in combination with industry reserving practices because the company's data does not provide reliable patterns on its own.

For asbestos, direct and assumed case incurred losses increased by about $3.3 million and net case incurred losses increased by about $2.6 million. Two related assumed claims from accident years 1981 and 1982 were responsible for $2.7 million in gross emergence and $2.1 million net. These claims were also responsible for most of the payment activity. The most significant environmental claims were two commercial umbrella claims from accident years 1978 and 1981 and an ocean marine claim from accident year 2007. These claims contributed $967,000 in direct emergence and $770,000 net. In light of these developments, the Company also decided to strengthen its IBNR position.

NOTES TO FINANCIAL STATEMENTS

The Company's asbestos related losses (including the cost of coverage dispute) for each of the five most recent calendar years is as follows:

RLI Direct Asbestos	2008	2007	2006	2005	2004
Beginning reserves	$ 12,199,814	$ 4,194,400	$ 2,314,494	$ 2,380,865	$ 2,754,776
Incurred losses and lae	1,657,269	8,031,905	1,907,197	(0)	(371,733)
Calendar year payments for losses and lae	28,059	26,491	27,291	66,371	2,178
Total ending reserves	$ 13,829,024	$ 12,199,814	$ 4,194,400	$ 2,314,494	$ 2,380,865
Ending IBNR	$ 9,386,057	$ 7,684,413	$ 2,197,166	$ 306,346	$ 469,881
(b) IBNR - Losses	8,447,451	6,915,972	2,020,375	275,711	422,893
(c) IBNR LAE	938,606	768,441	176,791	30,635	46,988

RLI Assumed Asbestos					
Beginning reserves	$ 20,189,148	$ 9,868,328	$ 7,725,537	$ 4,300,273	$ 4,654,443
Incurred losses and lae	2,141,153	10,397,137	3,656,632	3,500,000	371,733
Calendar year payments for losses and lae	3,593,243	76,317	1,513,841	74,736	725,903
Total ending reserves	$ 18,737,058	$ 20,189,148	$ 9,868,328	$ 7,725,537	$ 4,300,273
Ending IBNR	$ 8,327,582	$ 9,507,059	$ 4,218,662	$ 598,365	$ 848,691
(b) IBNR - Losses	7,494,823	8,556,353	3,824,940	538,528	763,822
(c) IBNR LAE	832,759	950,706	393,722	59,836	84,869

RLI Net Asbestos					
Beginning reserves	$ 21,734,340	$ 10,922,800	$ 5,257,479	$ 3,361,299	$ 3,730,854
Incurred losses and lae	4,091,185	10,891,458	6,744,524	2,000,000	-
Calendar year payments for losses and lae	2,663,893	79,919	1,079,203	103,820	369,555
Total ending reserves	$ 23,161,632	$ 21,734,339	$ 10,922,800	$ 5,257,479	$ 3,361,299
Ending IBNR	$ 12,163,184	$ 10,660,479	$ 5,994,468	$ 524,929	$ 553,900
(b) IBNR - Losses	10,946,865	9,594,431	5,440,804	472,436	498,510
(c) IBNR LAE	1,216,319	1,066,048	553,664	52,493	55,390

The Company's environmental related losses (including the cost of coverage dispute) for each of the five most recent calendar years is as follows:

RLI Direct Environmental	2008	2007	2006	2005	2004
Beginning reserves	$ 5,700,426	$ 4,891,168	$ 13,786,812	$ 14,505,359	$ 21,101,899
Incurred losses and lae	2,583,285	1,257,851	(4,765,638)	-	(2,624,442)
Calendar year payments for losses and lae	333,249	448,593	4,130,006	718,547	3,972,098
Total ending reserves	$ 7,950,462	$ 5,700,426	$ 4,891,168	$ 13,786,812	$ 14,505,359
Ending IBNR	$ 5,114,776	$ 3,446,355	$ 3,003,657	$ 7,632,223	$ 7,044,721
(b) IBNR - Losses	4,347,560	2,929,402	2,589,234	6,487,390	5,988,013
(c) IBNR LAE	767,216	516,953	414,423	1,144,833	1,056,708

RLI Assumed Environmental					
Beginning reserves	$ 1,340,099	$ 2,861,566	$ 1,913,950	$ 1,966,957	$ 2,749,058
Incurred losses and lae	331,174	(532,486)	969,574	0	962,723
Calendar year payments for losses and lae	43,385	988,981	21,958	53,007	1,744,824
Total ending reserves	$ 1,627,888	$ 1,340,099	$ 2,861,566	$ 1,913,950	$ 1,966,957
Ending IBNR	$ 701,800	$ 631,052	$ 1,175,755	$ 1,052,999	$ 955,279
(b) IBNR - Losses	596,530	536,394	1,070,872	895,049	811,987
(c) IBNR LAE	105,270	94,658	104,883	157,950	143,292

RLI Net Environmental					
Beginning reserves	$ 3,998,594	$ 5,133,212	$ 5,759,126	$ 6,356,975	$ 3,371,006
Incurred losses and lae	1,223,841	(321,139)	1,449,945	-	7,074,634
Calendar year payments for losses and lae	134,163	813,478	2,075,859	597,849	4,088,665
Total ending reserves	$ 5,088,272	$ 3,998,595	$ 5,133,212	$ 5,759,126	$ 6,356,975
Ending IBNR	$ 2,722,845	$ 2,064,952	$ 3,135,374	$ 2,992,719	$ 3,000,000
(b) IBNR - Losses	2,314,418	1,755,209	2,821,917	2,543,811	2,550,000
(c) IBNR LAE	408,427	309,743	313,457	448,908	450,000

33. Subscriber Savings Accounts

The Company has none to report.

34. Multiple Peril Crop Insurance

The Company has none to report.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] NA [ ]

1.3 State Regulating? Illinois

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2003

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2003

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/21/2005

3.4 By what department or departments? Illinois Department of Financial and Professional Regulation - Division of Insurance

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes [X] No [ ] NA [ ]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] NA [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [X] No [ ]

6.2 If yes, give full information Based upon an administrative error, RLI Insurance Company's Certificate of Authority in Puerto Rico was not effective from 1/1/2007 through 11/5/2007. RLI contested the suspension, which was resolved on 7/29/2008 by payment of a $5K fine.

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney - in - fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney - in - fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KPMG LLP; 303 East Wacker Drive; Chicago, IL 60601

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Philip S. Moore, AVP - Actuarial Services; RLI Insurance Company; 9025 N. Lindbergh Drive, Peoria, IL 61615

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

11.11 Name of real estate holding company

11.12 Number of parcels involved

11.13 Total book/adjusted carrying value $

11.2 If yes, provide explanation

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] NA [ ]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c. Compliance with applicable governmental laws, rules and regulations;

d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e. Accountability for adherence to the code.

13.11 If the response to 13.1 is No, please explain:

13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

GENERAL INTERROGATORIES

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers $ 0
- 18.12 To stockholders not officers $ 0
- 18.13 Trustees, supreme or grand (Fraternal only) $ 0

18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers $ 0
- 18.22 To stockholders not officers $ 0
- 18.23 Trustees, supreme or grand (Fraternal only) $ 0

19.1 Were any assets reported in the statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others $
- 19.22 Borrowed from others $
- 19.23 Leased from others $
- 19.24 Other $

20.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment $
- 20.22 Amount paid as expenses $
- 20.23 Other amounts paid $

21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 2,964,267

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3) Yes [ ] No [X]

22.2 If no, give full and complete information relating thereto:

On 12/31/08, the company had securities on loan pursuant to a securities lending agreement.

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provide)

On 12/31/08, the company had loaned securities in the amount of $10,319,556 and a collateral amount of $10,602,669. Collateral is carried on the balance sheet.

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [X] No [ ]

22.5 If answer to 22.4 is YES, report amount of collateral $ 10,602,669

22.6 If answer to 22.4 is NO, report amount of collateral $

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3) Yes [X] No [ ]

23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements $
- 23.22 Subject to reverse repurchase agreements $
- 23.23 Subject to dollar repurchase agreements $
- 23.24 Subject to reverse dollar repurchase agreements $
- 23.25 Pledged as collateral $
- 23.26 Placed under option agreements $
- 23.27 Letter stock or securities restricted as to sale $ 0
- 23.28 On deposit with state or other regulatory body $ 4,810,722
- 23.29 Other $

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] NA [X]
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year. $

GENERAL INTERROGATORIES

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
JP Morgan Chase Bank, NA	227 West Monroe Street Chicago, IL 60603

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	2 Complete Explanation(s)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	2 Address
107423	Conning Asset Management Co	One Financial Plaza; Hartford, CT 06103
105990	David Vaughan Investments, Inc	5223 N Forest Park Drive; Peoria, IL 61614
106201	Security Capital Research and Management, Inc	10 S Dearborn Street; Suite 1400; Chicago, IL 60603

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [ ] No [X]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 TOTAL		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding Of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds	535,283,132	531,958,984	(3,324,148)
28.2 Preferred stocks	812,800	840,000	27,200
28.3 Totals	536,095,932	532,798,984	(3,296,948)

28.4 Describe the sources or methods utilized in determining the fair values:

FT Interactive Data; PO Box 98616; Chicago, IL 60693

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 758,587

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Insurance Services Office	410,220
Property Casualty Insurers	198,921

31.1 Amount of payments for legal expenses, if any? $ 600,329

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Hunton & Williams	187,309

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 0

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

(continued)

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. $ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 0

1.6 Individual policies:

Most current three years:

- 1.61 Total premium earned $ 0
- 1.62 Total incurred claims $ 0
- 1.63 Number of covered lives 0

All years prior to most current three years:

- 1.64 Total premium earned $ 0
- 1.65 Total incurred claims $ 0
- 1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

- 1.71 Total premium earned $ 0
- 1.72 Total incurred claims $ 0
- 1.73 Number of covered lives 0

All years prior to most current three years:

- 1.74 Total premium earned $ 0
- 1.75 Total incurred claims $ 0
- 1.76 Number of covered lives 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 0	$ 0
2.2	Premium Denominator	$ 265,297,702	$ 244,443,167
2.3	Premium Ratio (2.1/2.2)	0.000	0.000
2.4	Reserve Numerator	$ 4	$ 75,756
2.5	Reserve Denominator	$ 351,089,629	$ 480,689,989
2.6	Reserve Ratio (2.4/2.5)	0.000	0.000

3.1 Does the reporting entity issue both participating and non-participating policies? Yes [ ] No [X]

3.2 If yes, state the amount of calendar year premiums written on:

- 3.21 Participating policies $
- 3.22 Non-participating policies $

4. For Mutual reporting entities and Reciprocal Exchanges only:

4.1 Does the reporting entity issue assessable policies? Yes [ ] No [ ]

4.2 Does the reporting entity issue non-assessable policies? Yes [ ] No [ ]

4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? %

4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. $

5. For Reciprocal Exchanges Only:

5.1 Does the exchange appoint local agents? Yes [ ] No [ ]

5.2 If yes, is the commission paid:

- 5.21 Out of Attorney's-in-fact compensation Yes [ ] No [ ] NA [ ]
- 5.22 As a direct expense of the exchange Yes [ ] No [ ] NA [ ]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?

5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? Yes [ ] No [ ]

5.5 If yes, give full information

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss:

N/A

6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:

The Company uses RMS modeling software to estimate probable maximum loss arising from property coverages concentrated in California and Florida.

6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?

The Company purchases catastrophe reinsurance coverage and complies with internally established maximum policy limits per region.

6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? Yes [X] No [ ]

6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.

7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]

7.2 If yes, indicate the number of reinsurance contracts containing such provisions.

7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]

8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [ ] No [X]

8.2 If yes, give full information

9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

(c) Aggregate stop loss reinsurance coverage;

(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling agreements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

(b) Twenty–five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]

9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:

(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;

(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and

(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or

(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:

(a) The entity does not utilize reinsurance; or, Yes [ ] No [X]

(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or Yes [ ] No [X]

(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. Yes [ ] No [X]

10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? Yes [X] No [ ] N/A [ ]

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: Yes [X] No [ ]

11.2 If yes, give full information
The Company has an intercompany guarantee with its wholly owned subsidiary, RLI Ltd. The Company has guaranteed the performance of RLI Ltd. in the amount of $20M with respect to a punitive damages wrap policy over an excess policy with the Company. The policy effective date is April 1, 2008.

12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
12.11 Unpaid losses $
12.12 Unpaid underwriting expenses (including loss adjustment expenses) $

12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? $

12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? Yes [ ] No [ ] NA [X]

12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
12.41 From %
12.42 To %

12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by the reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? Yes [X] No [ ]

12.6 If yes, state the amount thereof at December 31 of the current year:
12.61 Letters of Credit $ 316,349,310
12.62 Collateral and other funds $ 94,963,801

13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): $ 7,500,000

13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? Yes [ ] No [X]

13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1

14.1 Is the company a cedant in a multiple cedant reinsurance contract? Yes [X] No [ ]

14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
Each cedant (statutory company) is charged the reinsurance contract rate and receives applicable recoveries

14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? Yes [X] No [ ]

14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? Yes [ ] No [ ]

14.5 If answer to 14.4 is no, please explain:

15.1 Has the reporting entity guaranteed any financed premium accounts? Yes [ ] No [X]

15.2 If yes, give full information

16.1 Does the reporting entity write any warranty business? Yes [ ] No [X]

If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home	$	$	$	$	$
16.12 Products	$	$	$	$	$
16.13 Automobile	$	$	$	$	$
16.14 Other*	$	$	$	$	$

* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F – Part 3 that it excludes from Schedule F – Part 5. Yes [X] No [ ]

Incurred but not reported losses on contracts not in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F – Part 5. Provide the following information for this exemption:

17.11	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$ 696,000
17.12	Unfunded portion of Interrogatory 17.11	$ 696,000
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	$
17.14	Case reserves portion of Interrogatory 17.11	$
17.15	Incurred but not reported portion of Interrogatory 17.11	$ 696,000
17.16	Unearned premium portion of Interrogatory 17.11	$
17.17	Contingent commission portion of Interrogatory 17.11	$

Provide the following information for all other amounts included in Schedule F – Part 3 and excluded from Schedule F – Part 5, not included above.

17.18	Gross amount of unauthorized reinsurance in Schedule F – Part 3 excluded from Schedule F – Part 5	$
17.19	Unfunded portion of Interrogatory 17.18	$
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	$
17.21	Case reserves portion of Interrogatory 17.18	$
17.22	Incurred but not reported portion of Interrogatory 17.18	$
17.23	Unearned premium portion of Interrogatory 17.18	$
17.24	Contingent commission portion of Interrogatory 17.18	$

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2008	2 2007	3 2006	4 2005	5 2004
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	186,945,809	188,918,025	205,318,659	209,081,110	204,434,620
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	27,297,600	23,912,807	30,195,485	54,247,352	91,458,161
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	64,385,304	53,749,574	40,448,223	24,843,179	12,223,137
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	76,279,929	70,023,849	66,049,173	60,203,610	54,169,242
5. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
6. Total (Line 35)	354,908,642	336,604,255	342,011,540	348,375,251	362,285,160
Net Premiums Written (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	122,947,463	120,854,309	115,647,502	120,212,677	133,415,139
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)	25,203,806	22,115,760	18,166,375	20,282,072	52,081,531
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	55,524,640	44,966,561	33,491,400	20,520,074	10,109,592
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	70,738,340	65,343,011	62,119,078	55,530,328	49,286,650
11. Nonproportional reinsurance lines (Lines 31, 32 & 33)	0	0	0	0	0
12. Total (Line 35)	274,414,249	253,279,641	229,424,355	216,545,151	244,892,912
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8)	28,233,295	43,124,715	23,094,555	12,605,161	17,622,247
14. Net investment gain (loss) (Line 11)	19,314,763	105,749,979	57,548,037	39,083,251	36,138,164
15. Total other income (Line 15)	87,738	192,179	724,733	897,572	696,723
16. Dividends to policyholders (Line 17)	0	0	0	0	0
17. Federal and foreign income taxes incurred (Line 19)	20,921,262	22,861,220	5,656,825	14,287,821	18,589,409
18. Net income (Line 20)	26,714,534	126,205,653	75,710,500	38,298,163	35,867,725
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	1,279,073,667	1,351,885,102	1,366,310,095	1,300,270,576	1,216,033,560
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	45,787,561	33,873,966	50,176,886	54,880,790	60,210,489
20.2 Deferred and not yet due (Line 13.2)	0	0	0	0	0
20.3 Accrued retrospective premiums (Line 13.3)	0	0	0	0	0
21. Total liabilities excluding protected cell business (Page 3, Line 24)	601,032,498	599,880,777	619,404,680	609,723,904	610,066,757
22. Losses (Page 3, Line 1)	293,176,386	281,326,555	303,516,754	300,208,388	294,890,518
23. Loss adjustment expenses (Page 3, Line 3)	57,129,402	59,770,036	55,500,855	51,456,920	50,295,019
24. Unearned premiums (Page 3, Line 9)	148,165,761	139,049,214	130,212,740	128,759,357	135,645,884
25. Capital paid up (Page 3, Lines 28 & 29)	10,000,375	10,000,375	10,000,375	10,000,375	10,000,375
26. Surplus as regards policyholders (Page 3, Line 35)	678,041,169	752,004,325	746,905,415	690,546,672	605,966,803
Cash Flow (Page 5)					
27. Net cash from operations (Line 11)	65,648,974	107,459,049	42,944,904	67,956,259	60,415,469
Risk-Based Capital Analysis					
28. Total adjusted capital	678,041,169	752,004,325	746,905,415	690,546,672	605,966,803
29. Authorized control level risk-based capital	77,788,707	79,833,666	84,652,934	81,317,454	82,471,364
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3)(Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	39.7	43.0	45.0	47.2	49.5
31. Stocks (Lines 2.1 & 2.2)	53.4	54.2	51.7	50.6	48.9
32. Mortgage loans on real estate (Lines 3.1 and 3.2)	0.0	0.0	0.0	0.0	0.0
33. Real estate (Lines 4.1, 4.2 & 4.3)	0.7	0.5	0.5	0.5	0.5
34. Cash, cash equivalents and short-term investments (Line 5)	4.8	2.3	2.1	1.2	1.0
35. Contract loans (Line 6)	0.0	0.0	0.0	0.0	0.0
36. Other invested assets (Line 7)	0.0	0.0	0.7	0.5	0.2
37. Receivables for securities (Line 8)	1.4	0.1	0.0	0.0	0.0
38. Aggregate write-ins for invested assets (Line 9)	0.0	0.0	0.0	0.0	0.0
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
Investments in Parent, Subsidiaries and Affiliates					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)	0	0	0	0	0
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)	0	0	0	0	0
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)	472,747,764	456,713,953	418,698,094	404,485,860	344,301,109
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
44. Affiliated mortgage loans on real estate		0	0	0	0
45. All other affiliated		0	0	0	0
46. Total of above Lines 40 to 45	472,747,764	456,713,953	418,698,094	404,485,860	344,301,109
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)	69.7	60.7	56.1	58.6	56.8

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2008	2 2007	3 2006	4 2005	5 2004
Capital and Surplus Accounts (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(31,890,770)	25,554,010	45,421,257	62,831,923	41,839,094
49. Dividends to stockholders (Line 35)	(70,000,000)	(149,722,427)	(59,495,808)	(13,036,489)	(19,585,772)
50. Change in surplus as regards policyholders for the year (Line 38)	(73,963,156)	5,098,910	56,358,743	84,579,869	59,380,645
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	69,130,981	78,726,011	114,468,014	109,848,178	96,144,290
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,653,100	14,188,510	66,582,160	34,952,601	32,102,477
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	21,182,724	12,315,337	10,441,178	3,439,458	2,652,019
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	5,020,537	18,593,356	1,442,888	11,464,110	14,693,572
55. Nonproportional reinsurance lines (Lines 31, 32 & 33)	3,843,162	1,289,468	1,534,054	325,864	2,492,649
56. Total (Line 35)	108,830,504	125,112,682	194,468,294	160,030,211	148,085,007
Net Losses Paid (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	43,540,628	50,178,321	42,941,225	49,354,980	51,088,011
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	9,882,398	11,766,064	19,154,623	23,007,776	25,044,625
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	19,423,084	10,569,351	6,411,489	3,226,241	2,486,236
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3,832,426	9,625,524	1,783,753	4,606,528	6,846,936
61. Nonproportional reinsurance lines (Lines 31, 32 & 33)	1,864,760	710,784	920,821	202,232	1,324,648
62. Total (Line 35)	78,543,296	82,850,044	71,211,911	80,397,757	86,790,456
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	34.1	24.8	32.7	38.4	33.8
65. Loss expenses incurred (Line 3)	10.3	12.0	13.3	14.2	21.0
66. Other underwriting expenses incurred (Line 4)	45.0	45.6	43.9	41.8	38.0
67. Net underwriting gain (loss) (Line 8)	10.6	17.6	10.1	5.6	7.1
Other Percentages					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	43.4	43.9	43.3	42.7	38.3
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	44.4	36.8	45.9	52.6	54.9
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0)	40.5	33.7	30.7	31.4	40.4
One Year Loss Development (000 omitted)					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(16,888)	(31,456)	(7,823)	(12,861)	(6,862)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(2.2)	(4.2)	(1.1)	(2.1)	(1.3)
Two Year Loss Development (000 omitted)					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	(40,001)	(31,258)	(25,594)	(14,306)	(1,569)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	(5.4)	(4.5)	(4.2)	(2.6)	(0.4)

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES
SCHEDULE P - PART 1 - SUMMARY

($000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported - Direct and Assumed
				4	5	6	7	8	9	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior	XXX	XXX	XXX	10,611	6,854	3,360	1,370	208	5	4	5,950	XXX
2. 1999	241,293	101,238	140,055	174,360	116,471	14,041	5,517	7,534	778	9,395	73,169	XXX
3. 2000	307,640	132,968	174,672	222,415	140,067	22,242	11,256	10,559	1,573	9,906	102,320	XXX
4. 2001	366,749	163,454	203,295	163,311	78,888	23,053	7,275	12,965	2,053	20,560	111,113	XXX
5. 2002	405,737	182,110	223,627	213,158	129,562	44,417	22,683	12,616	1,583	18,664	116,363	XXX
6. 2003	392,381	141,618	250,763	156,396	70,222	21,956	5,890	12,365	784	15,145	113,821	XXX
7. 2004	368,887	120,265	248,622	114,000	31,362	18,544	2,561	11,975	162	16,856	110,434	XXX
8. 2005	348,937	125,505	223,432	112,158	53,837	14,946	3,498	10,215	279	8,022	79,705	XXX
9. 2006	349,351	121,380	227,971	55,812	14,389	8,171	2,397	7,748	95	7,290	54,850	XXX
10. 2007	342,778	98,335	244,443	43,198	7,616	3,566	487	6,610	89	2,557	45,182	XXX
11. 2008	342,315	77,017	265,298	25,972	4,391	1,012	309	3,649	10	2,888	25,923	XXX
12. Totals	XXX	XXX	XXX	1,291,391	653,659	175,308	63,243	96,444	7,411	111,287	838,830	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22	Salvage and Subrog-ation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstand-ing - Direct and Assumed
	13	14	15	16	17	18	19	20					
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1.	24,886	8,389	33,895	15,243	6,114	681	3,291	1,710	994	5	10	43,152	XXX
2.	692	(109)	5,433	618	1,339	124	585	91	432	2	40	7,755	XXX
3.	26,064	24,691	8,152	1,455	1,815	1,050	871	361	307	0	412	9,652	XXX
4.	4,817	3,112	10,823	5,926	896	1,732	963	562	191	0	46	6,358	XXX
5.	8,114	6,015	7,352	2,389	1,738	304	638	224	257	2	575	9,165	XXX
6.	12,278	8,045	7,278	3,680	1,748	361	585	217	295	0	544	9,881	XXX
7.	8,301	1,522	10,688	2,425	2,068	365	1,041	188	539	5	1,273	18,132	XXX
8.	24,875	8,433	13,742	4,877	3,736	963	1,453	471	1,297	57	2,186	30,302	XXX
9.	26,117	8,414	28,934	11,125	3,762	1,158	2,955	804	1,757	109	2,096	41,915	XXX
10.	48,190	17,413	62,838	37,553	4,733	780	7,223	4,177	2,842	84	3,219	65,819	XXX
11.	36,243	3,479	95,099	36,940	2,933	56	10,492	4,098	8,016	36	5,881	108,174	XXX
12. Totals	220,577	89,404	284,234	122,231	30,882	7,574	30,097	12,903	16,927	300	16,282	350,305	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33	Inter-Company Pooling Participation Percentage	35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1.	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	35,149	8,003
2.	204,416	123,492	80,924	84.7	122.0	57.8	0	0		5,616	2,139
3.	292,425	180,453	111,972	95.1	135.7	64.1	0	0		8,070	1,582
4.	217,019	99,548	117,471	59.2	60.9	57.8	0	0		6,602	(244)
5.	288,290	162,762	125,528	71.1	89.4	56.1	0	0		7,062	2,103
6.	212,901	89,199	123,702	54.3	63.0	49.3	0	0		7,831	2,050
7.	167,156	38,590	128,566	45.3	32.1	51.7	0	0		15,042	3,090
8.	182,422	72,415	110,007	52.3	57.7	49.2	0	0		25,307	4,995
9.	135,256	38,491	96,765	38.7	31.7	42.4	0	0		35,512	6,403
10.	179,200	68,199	111,001	52.3	69.4	45.4	0	0		56,062	9,757
11.	183,416	49,319	134,097	53.6	64.0	50.5	0	0		90,923	17,251
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	293,176	57,129

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										DEVELOPMENT	
	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	11 One Year	12 Two Year
1. Prior	119,759	111,428	103,542	99,334	84,068	85,878	86,379	85,614	94,974	103,056	8,082	17,442
2. 1999	61,140	64,677	71,859	65,906	73,616	76,537	77,014	70,988	70,416	73,738	3,322	2,750
3. 2000	XXX	83,721	90,940	88,177	102,010	101,621	99,535	97,828	98,350	102,679	4,329	4,851
4. 2001	XXX	XXX	101,261	119,052	102,621	105,930	109,054	105,959	104,942	106,368	1,426	409
5. 2002	XXX	XXX	XXX	115,766	122,285	116,700	116,390	117,406	114,380	114,240	(140)	(3,166)
6. 2003	XXX	XXX	XXX	XXX	144,650	135,722	126,572	117,839	115,226	111,826	(3,400)	(6,013)
7. 2004	XXX	XXX	XXX	XXX	XXX	131,315	125,898	132,475	121,065	116,219	(4,846)	(16,256)
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	119,077	123,987	109,308	98,831	(10,477)	(25,156)
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	102,326	94,305	87,464	(6,841)	(14,862)
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	110,065	101,722	(8,343)	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	122,478	XXX	XXX
										12. Totals	(16,888)	(40,001)

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008		
1. Prior	000	13,836	27,187	35,539	38,067	46,030	47,793	51,931	55,146	60,893	XXX	XXX
2. 1999	13,387	31,561	44,222	53,389	57,096	61,408	63,380	63,676	65,056	66,413	XXX	XXX
3. 2000	XXX	23,917	53,530	73,352	80,238	86,300	89,100	89,983	91,884	93,334	XXX	XXX
4. 2001	XXX	XXX	26,802	51,611	67,943	82,182	90,132	93,609	99,317	100,201	XXX	XXX
5. 2002	XXX	XXX	XXX	25,234	44,116	70,923	86,285	94,924	100,186	105,330	XXX	XXX
6. 2003	XXX	XXX	XXX	XXX	28,125	54,984	76,073	87,446	95,861	102,240	XXX	XXX
7. 2004	XXX	XXX	XXX	XXX	XXX	20,818	51,319	73,316	90,572	98,621	XXX	XXX
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	18,913	41,256	55,656	69,769	XXX	XXX
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	13,978	34,958	47,197	XXX	XXX
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	18,504	38,661	XXX	XXX
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	22,284	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END ($000 OMITTED)									
	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008
1. Prior	86,953	71,905	54,951	46,908	26,802	24,659	23,209	21,507	16,043	20,233
2. 1999	39,240	19,501	18,428	3,372	9,834	9,139	11,315	4,215	2,543	5,309
3. 2000	XXX	42,604	19,141	2,410	10,981	10,332	6,474	5,136	4,276	7,207
4. 2001	XXX	XXX	54,876	48,673	18,548	12,413	11,145	6,507	3,293	5,298
5. 2002	XXX	XXX	XXX	60,502	46,070	25,100	18,425	15,631	9,513	5,377
6. 2003	XXX	XXX	XXX	XXX	77,376	40,869	28,521	14,985	9,361	3,966
7. 2004	XXX	XXX	XXX	XXX	XXX	58,967	38,493	32,781	18,891	9,116
8. 2005	XXX	XXX	XXX	XXX	XXX	XXX	57,285	45,722	25,524	9,847
9. 2006	XXX	XXX	XXX	XXX	XXX	XXX	XXX	53,190	33,893	19,960
10. 2007	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	54,448	28,331
11. 2008	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	64,553

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

States, etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken 2 Direct Premiums Written	 3 Direct Premiums Earned	4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
1. Alabama AL	L	3,192,556	3,104,218	0	(9,501)	(154,897)	2,648,998	0	379
2. Alaska AK	L	927,211	792,269	0	27,954	(36,420)	711,566	0	
3. Arizona AZ	L	5,905,057	6,747,415	0	1,862,930	1,324,095	3,530,917	0	3,136
4. Arkansas AR	L	3,703,386	3,441,083	0	475,906	58,373	4,927,431	0	3,419
5. California CA	L	30,637,777	28,016,080	0	10,534,614	30,628,886	75,553,967	0	112,826
6. Colorado CO	L	2,381,680	2,456,916	0	(766,242)	2,241,604	5,165,992	0	10,051
7. Connecticut CT	L	3,169,977	3,154,749	0	2,154,066	13,923,668	17,628,034	0	10,972
8. Delaware DE	L	874,787	887,546	0	921,160	249,116	5,427,837	0	2,332
9. District of Columbia DC	L	589,477	788,278	0	(852,486)	(722,019)	599,503	0	801
10. Florida FL	L	25,856,971	26,497,971	0	11,822,858	7,025,832	33,098,685	0	82,834
11. Georgia GA	L	5,193,072	5,839,254	0	1,630,633	627,446	8,320,704	0	17,897
12. Hawaii HI	L	15,093,228	15,378,717	0	1,631,386	885,385	4,993,126	0	
13. Idaho ID	L	714,693	754,918	0	137,801	55,908	680,476	0	
14. Illinois IL	L	9,799,993	10,281,643	0	10,066,716	(240,858)	27,025,970	0	32,708
15. Indiana IN	L	2,515,160	2,883,460	0	281,813	253,025	3,374,567	0	23,518
16. Iowa IA	L	1,654,347	1,490,638	0	148,258	176,652	985,280	0	
17. Kansas KS	L	3,806,165	3,459,388	0	822,905	1,283,295	2,770,050	0	290
18. Kentucky KY	L	2,629,554	2,510,072	0	3,692,964	1,364,590	6,476,909	0	4
19. Louisiana LA	L	8,183,394	7,970,196	0	3,311,005	2,496,516	8,071,562	0	382
20. Maine ME	L	1,018,490	1,015,755	0	24,460	(6,177)	877,612	0	
21. Maryland MD	L	3,895,492	4,479,730	0	407,703	964,827	4,000,481	0	7,859
22. Massachusetts MA	L	5,717,548	5,423,565	0	719,642	1,002,209	6,674,414	0	(4,370)
23. Michigan MI	L	4,989,684	5,736,967	0	739,752	1,007,208	7,124,088	0	4,068
24. Minnesota MN	L	4,434,524	4,329,987	0	134,319	(33,046)	5,632,824	0	7,865
25. Mississippi MS	L	2,972,055	2,884,177	0	747,417	28,186	3,637,633	0	
26. Missouri MO	L	5,770,002	5,718,974	0	1,169,735	1,654,528	6,804,842	0	2,500
27. Montana MT	L	997,685	741,221	0	271,893	316,308	808,964	0	
28. Nebraska NE	L	1,616,451	1,485,611	0	147,622	39,355	1,156,595	0	7,004
29. Nevada NV	L	2,285,152	2,148,127	0	1,452,625	953,502	2,874,702	0	5,000
30. New Hampshire NH	L	627,363	641,061	0	630,774	58,444	1,875,627	0	
31. New Jersey NJ	L	16,404,498	15,901,166	0	6,039,726	4,594,262	22,170,085	0	103,045
32. New Mexico NM	L	1,725,143	1,597,957	0	47,597	(43,739)	981,530	0	
33. New York NY	L	56,853,548	50,443,424	0	9,364,866	12,030,849	64,770,603	0	1,300,825
34. North Carolina NC	L	4,881,717	4,702,466	0	966,992	439,571	3,895,970	0	
35. North Dakota ND	L	411,632	311,286	0	(215,750)	21,344	700,823	0	
36. Ohio OH	L	8,366,769	8,144,197	0	3,681,216	1,083,371	9,293,623	0	17,607
37. Oklahoma OK	L	3,621,118	3,591,308	0	611,000	410,521	2,915,657	0	155
38. Oregon OR	L	1,919,337	1,871,137	0	(68,474)	89,855	5,247,589	0	
39. Pennsylvania PA	L	13,605,680	12,398,041	0	6,583,091	4,321,703	19,073,089	0	15,077
40. Rhode Island RI	L	996,939	936,999	0	640,628	474,924	999,515	0	
41. South Carolina SC	L	2,881,877	2,855,631	0	213,129	445,764	2,480,560	0	322
42. South Dakota SD	L	421,122	304,844	0	(253)	8,245	1,461,534	0	
43. Tennessee TN	L	6,344,859	6,018,286	0	2,513,279	2,038,562	13,735,095	0	65,781
44. Texas TX	L	23,631,542	23,916,363	0	2,856,981	7,296,578	38,889,791	0	3,276
45. Utah UT	L	647,112	661,100	0	30,409	(45,624)	593,129	0	1
46. Vermont VT	L	445,829	437,304	0	1,270	(9,405)	267,008	0	10
47. Virginia VA	L	4,186,325	4,405,498	0	342,926	(425,571)	2,982,649	0	20,285
48. Washington WA	L	5,550,415	5,061,843	0	3,087,245	2,665,751	6,998,590	0	
49. West Virginia WV	L	1,848,002	1,672,165	0	133,438	115,440	911,065	0	50,722
50. Wisconsin WI	L	5,264,695	5,676,097	0	1,807,006	1,962,453	11,215,318	0	
51. Wyoming WY	L	554,066	502,599	0	50,883	(14,966)	196,281	0	4
52. American Samoa AS	N	0	0	0	0	0	0	0	
53. Guam GU	N	0	0	0	0	0	0	0	
54. Puerto Rico PR	L	1,184,956	1,258,400	0	174,512	318,591	593,188	0	
55. U.S. Virgin Islands VI	N	0	0	0	0	0	0	0	
56. Northern Mariana Islands MP	N	0	0	0	0	0	0	0	
57. Canada CN	N	0	0	0	0	0	0	0	
58. Aggregate other alien OT	XXX	20,064,537	19,056,080	0	4,274,476	5,336,134	9,935,964	0	0
59. Totals	(a) 52	342,964,649	332,784,177	0	97,476,875	110,540,154	473,768,012	0	1,908,585
DETAILS OF WRITE-INS									
5801. Federal Land and Waters	XXX	20,064,537	19,056,080	0	4,274,476	5,336,134	9,935,964	0	
5802.	XXX								
5803.	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	XXX	20,064,537	19,056,080	0	4,274,476	5,336,134	9,935,964	0	0

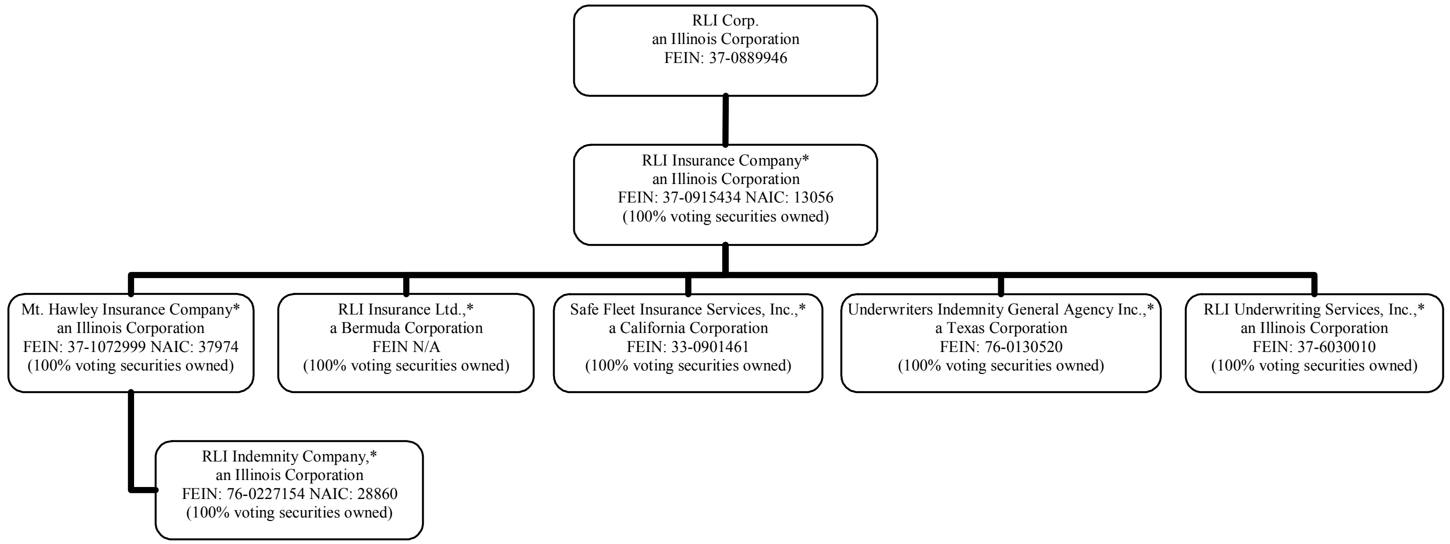
(a) Insert the number of L responses except for Canada and Other Alien.

Explanation of basis of allocation of premiums by states, etc.

Other Liability and Products Liability - location of the insured; Directors & Officers (included in Other Liability) - location of the insured; Other Commercial Auto Liability - state of domicile; Commercial Auto - states where they are titled & licensed; Fidelity and Surety - state in which obligation exists; Ocean Marine - state where the company is headquartered, unless there is specific fixed property which is allocated to the state where the property is located; Fire, Allied Lines, Homeowners Multi-Peril, Commercial Multi-Peril, Inland Marine, Earthquake, Burglary & Theft, and Boiler & Machinery - state of the property locations; General Program (included in Other Liability and Fire), @Home Business (included in Other Liability), and Personal Umbrella (included in Other Liability) - location where the risk resides.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



*Financial Statements are fully consolidated with RLI Corp.

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